



# THE U.S.-MIDDLE EAST PARTNERSHIP INITIATIVE (MEPI)

## Internal Controls: Policies and Procedures

Policies and procedures connect an organization's vision and goals to the management of projects. These internal controls and written financial management procedures are the key to accountability within the organization's structure, and it is important that these policies be documented to avoid discrepancies and to standardize their practice.

Federal regulations governing the Office of Middle East Partnership Initiative (MEPI) grants (22 CFR Part 145 and 22 CFR Part 135) provide standards for financial management systems of grantee organizations. To determine whether grantees have financial management systems that conform to those standards, MEPI's Division of Grants Management performs Financial Capability Reviews both new and existing grantees.

*When considering your organization's accounting policies, keep the following in mind:*

Even if project managers and employees understand an organization's financial practices, it is important to have those policies in writing to ensure a standardized practice.

MEPI will make a determination of the organization's ability to adequately administer Federal awards based on the results of OMB Circular A-133 audits, financial statements and other types of audits, and written policies and procedures. If needed, the Grants Division will request that the grantee take necessary corrective action to conform to the financial management standards.

The ten most common financial management problems identified by the Department of State are:

- Lack of knowledge of regulatory and grant requirements;
- No written policies and procedures;
- Unsatisfactory maintenance of adequate documentation to support expenditures;
- Ineffective cash management;
- Inadequate accounting system or inability to track costs per award;
- Lack of budgetary controls;
- Undocumented and inaccurate reports of employee time (no employee activity reports or time sheets for actual time worked per project/award);
- Failure to meet match and cost-sharing requirements and document in-kind contributions appropriately;
- Delinquent reports and inaccurate financial information; and
- Lack of internal controls.

For a complete discussion of the Federal standard financial systems requirements for which recipients must abide, please see 2 CFR Part 215 (Formerly, OMB Circular A-110) or contact your Grants Officer.